

MASILONYANA LOCAL MUNICIPALITY



UNAUDITED ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2013

MASILONYANA LOCAL MUNICIPALITY

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MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

Masilonyana Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Masilonyana Municipality includes the following areas:

Brandfort
Soutpan
Theunissen
Verkeerdevelei
Windburg

ACTING MUNICIPAL MANAGER

ME Maphobole

Appointed

1 December 2011

Resigned

30 September 2012

MUNICIPAL MANAGER

S S Mtakati

Appointed

1 October 2012

PREVIOUS CHIEF FINANCIAL OFFICER

L I Tlatsi

Resigned

31 October 2012

ACTING CHIEF FINANCIAL OFFICER

Jacobus Vermeulen

Appointed

1 November 2012

Resigned

31 January 2013

CHIEF FINANCIAL OFFICER

M E Mokoena

Appointed

1 February 2013

REGISTERED OFFICE

Cnr Le Roux and Pienaar Street
Theunissen
9410

P.O.Box 8
Theunissen
9410

AUDITORS

Auditor General
Free State

PRINCIPLE BANKERS

ABSA BANK
Theunissen
9410

Branch Code: 632005
Acc No: 40 5351 7822

RELEVANT LEGISLATION

- Municipal Finance Management Act (Act no 56 of 2003)
- Division of Revenue Act (Act 5 of 2012)
- The Income Tax Act (Act 58 of 1962)
- Value Added Tax Act (Act 89 of 1991)
- Municipal Structures Act (Act no 117 of 1998)

MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

RELEVANT LEGISLATION (CONTINUE)

- Municipal Systems Act (Act no 32 of 2000)
- Municipal Planning and Performance Management Regulations 2011
- Water Services Act (Act no 108 of 1997)
- Housing Act (Act no 107 of 1997)
- Municipal Property Rates Act (Act no 6 of 2004)
- Employment Equity Act (Act no 55 of 1998)
- Unemployment Insurance Act (Act no 30 of 1966)
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Supply Chain Management Regulations, 2005
- Collective Agreements
- Infrastructure Grants
- SALGBC Leave Regulations
- Skills Development Levies Act (Act no 9 of 1999)
- Electricity Act (Act no 41 of 1987)

MASILONYANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

MEMBERS OF THE MASILONYANA LOCAL MUNICIPALITY

K S Koalane	Mayor
S J Mabitla	Speaker
S C Mangoejane	Councillor
D E Modise	Councillor
F B Posthumus	Councillor
I I Majara	Councillor
J A Pienaar	Councillor
K A Sekharume	Councillor
K P Dichakane	Councillor
L M Moloele	Councillor
V M Lekale	Councillor
M B Tsoaela	Councillor
M M Kholumo	Councillor
M G Mafa	Councillor
P T Botha	Councillor
S L Kgoe	Councillor
T P Ramongalo	Councillor
T J Chele	Councillor
X Nqwiliso	Councillor
Z P Thuthani	Councillor

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on the pages as referenced in the index in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act

S S Mtakati
Municipal Manager

30 September 2013
Date

MASILONYANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	2013 R	2012 R
NET ASSETS AND LIABILITIES			
Net Assets		576,011,425	520,039,256
Accumulated Surplus/(Deficit)		576,011,425	520,039,256
Non-Current Liabilities		20,759,867	20,695,925
Long-term Liabilities	2	4,623,141	5,132,889
Employee benefits	3	7,541,069	7,376,696
Non-Current Provisions	4	8,595,657	8,186,340
Current Liabilities		55,484,917	63,984,638
Consumer Deposits	5	1,043,220	977,241
Current Employee benefits	6	732,665	769,254
Provisions	7	452,403	430,860
Payables from exchange transactions	8	35,550,328	45,864,726
Unspent Conditional Government Grants and Receipts	9	7,888,682	-
Taxes	10	8,589,840	14,376,504
Cash and Cash Equivalents	18	848,118	-
Current Portion of Long-term Liabilities	2	379,661	1,566,054
Total Net Assets and Liabilities		652,256,209	604,719,819
ASSETS			
Non-Current Assets		572,022,050	577,560,423
Property, Plant and Equipment	11	499,782,720	505,271,937
Investments	12	88,234	79,086
Investment Property	13	72,151,097	72,209,400
Current Assets		80,234,159	27,159,397
Inventory	15	140,533	279,899
Receivables from exchange transactions	16	42,043,568	19,405,053
Receivables from non-exchange transactions	17	34,567,560	6,187,177
Unpaid Conditional Government Grants and Receipts	9	717,828	-
Cash and Cash Equivalents	18	2,764,671	1,287,269
Total Assets		652,256,209	604,719,820

MASILONYANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 (Actual) R	2012 (Actual) R
REVENUE			
Revenue from Non-exchange Transactions		135,592,360	118,326,712
Taxation Revenue		15,075,772	12,941,193
Property taxes	19	15,075,772	12,941,193
Transfer Revenue		120,467,462	105,328,269
Government Grants and Subsidies	20	120,467,462	105,328,269
Other Revenue		49,126	57,249
Fines		49,126	57,249
Revenue from Exchange Transactions		92,536,620	54,757,791
Service Charges	21	61,064,306	53,110,712
Rental of Facilities and Equipment		142,658	386,628
Interest Earned - external investments		439,193	783,086
Interest Earned - outstanding debtors		15,003,523	(58)
Other Income	22	15,874,462	471,566
Dividends received		5,812	5,857
Fair Value Adjustments		6,666	-
Total Revenue		228,128,980	173,084,503
EXPENDITURE			
Employee related costs	23	55,857,239	47,561,613
Remuneration of Councillors	24	5,276,284	5,051,609
Debt Impairment	25	25,945,828	20,593,063
Depreciation and Impairment	26	24,601,019	493,027,066
Repairs and Maintenance		4,499,498	4,477,128
Actuarial losses	3	45,034	1,300,548
Finance Charges	27	1,474,432	2,529,249
Bulk Purchases	28	28,185,051	25,990,741
General Expenses	29	23,126,727	29,350,127
Total Expenditure		169,011,112	629,881,142
NET SURPLUS/(DEFICIT) FOR THE YEAR		59,117,868	(456,796,639)

MASILONYANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2011	894,019,328	894,019,328
Correction of error - Refer to note 30	-	-
Restated Balance at 1 JULY 2011	894,019,328	894,019,328
Net Surplus / (Deficit)	(456,796,639)	(456,796,639)
Correction of errors and take-on items	82,816,567	82,816,567
Balance at 30 JUNE 2012	520,039,256	520,039,256
Net Surplus for the year	59,117,868	59,117,868
Adjustments to accumulated surplus	(3,145,699)	(3,145,699)
Balance at 30 JUNE 2013	576,011,425	576,011,425

MASILONYANA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Taxation		-	3,202,014
Sale of goods and services		(5,141,087)	49,998,998
Grants		126,459,672	105,071,000
Interest income		15,442,716	783,086
Other receipts		583,937	1,178,570
Payments			
Taxation		(2,185,939)	
Employee costs		(61,708,337)	(52,256,190)
Suppliers		(50,955,226)	(56,791,447)
Finance costs		(532,473)	(1,525,271)
Cash generated by operations	32	21,963,263	49,660,760
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(18,868,584)	(52,127,157)
Proceeds from the disposal of investments	12	-	3,028
Net Cash from Investing Activities		(18,868,584)	(52,124,129)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Decrease) in long-term liabilities	2	(1,696,141)	(1,650,556)
Increase/(Decrease) in Employee benefit payment	3	(769,254)	(1,162,556)
Net Cash from Financing Activities		(2,465,395)	(2,813,112)
NET INCREASE IN CASH AND CASH EQUIVALENTS		629,284	(5,276,481)
Cash and Cash Equivalents at the beginning of the year	17	1,287,269	6,563,751
Cash and Cash Equivalents at the end of the year	18	1,916,552	1,287,269
NET INCREASE IN CASH AND CASH EQUIVALENTS		629,284	(5,276,482)

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee benefits	Unknown

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly state in the financial statements. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 5 – Borrowing cost
GRAP 12 – Inventories
GRAP 16 – Investment Property
GRAP 17 – Property, Plant and Equipment
GRAP 104 – Financial instruments

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format except where indicated. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis and have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4. COMPARATIVE INFORMATION

Budget information required in terms of GRAP 1 paragraph 11 to 14 have been disclosed in the financial statements and also in accordance with GRAP 24: Presentation of Budget Information in Financial that become effective for the current financial year. Disclosure of comparative information in terms of GRAP 24 is not required.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE, EARLY ADOPTED

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Standard	Description	Effective Date
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 20	Related party disclosure Information to a large extent is already included in the notes to the annual financial statements therefore impact will be immaterial.	Unknown
GRAP 25	Employee related cost Information to a large extent is already included in the notes to the annual financial statements therefore impact will be immaterial.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7. LEASES

1.7.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2013**

exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.7.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Equitable share allocations are recognised in the Statement of Financial Performance at the start of the financial year if no time-based restrictions exist.

Conditional grants are provided to meet specific objectives. Appropriate performance targets are set by the municipality and are used by both the municipality and the transferring entity to measure whether the objectives of the grant are being met.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be cash-backed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.8.1. Initial recognition

Unspent conditional grants are recognised as a liability when the grant is received.

1.8.2 Subsequent recognition

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.9. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.10. EMPLOYEE BENEFITS

(a) Post Retirement Medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with the accounting policy of GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is un-funded and is a defined benefit plan.

The liability was calculated by means of the projected unit credit actuarial valuation method. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under this plan is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability,

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(d) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

(e) Termination benefits

The municipality shall recognise termination benefits as a liability and an expense when, and only when, the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Where termination benefits fall due more than 12 months after the reporting date, the municipality shall be discounted using the discount rate.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.11.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.11.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

<u>Infrastructure</u>	<u>Years</u>	<u>Other</u>	<u>Years</u>
Roads and Paving	3-100	Buildings	30-100
Refuse	3-30	Specialist vehicles	3-60
Electricity	3-100	Other vehicles	2-30
Water	3-100	Office equipment	1-25
Sewerage	3-100	Furniture and fittings	1-30
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	3-100	Equipment	1-40
Recreational Facilities	20-100	Other plant and	
Security	30	Equipment	1-40
Halls	30-100	Landfill sites	10-100
Libraries	100	Quarries	5-25
Parks and gardens	100	Emergency equipment	3-30
Other assets	10-100	Computer equipment	3-20
		Water/Electricity meters	20
		Solar lights	50
		High Mass lights	40
		Street lights	40
<u>Finance lease assets</u>			
Office equipment	3-5		
Other assets	3-5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 16, GRAP 3.

1.11.6 Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 4.

1.12. INVESTMENT PROPERTY

1.12.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

The municipality has formulated its own criteria to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations as defined below:

The municipality may hold property to earn rental and for capital appreciation or both and this will be classified as investment property. Investment property generates cash flows largely independently of the other assets held by an entity.

The production or supply of goods or services (or the use of property for administrative purposes) can also generate cash flows that are attributable not only to property, but also to other assets used in the production or supply process. For example, the municipality may use a building to provide goods and services to recipients in return for full or partial cost recovery. However, the building is held to facilitate the production of goods and services and the cash flows are attributable not merely to the building, but also to other assets used in the production or supply process. The Standard of GRAP on *Property, Plant and Equipment* applies to owner-occupied property.

The following qualifies as investment property according to the criteria defined by the municipality:

- land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- land held for a currently undetermined future use.
- a building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis.
- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following does not qualify as investment property according to the criteria defined by the municipality:

- property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- property being constructed or developed on behalf of third parties;
- owner-occupied, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for military personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- property that is being constructed or developed for future use as investment property. The Standard of GRAP on *Property, Plant and Equipment* applies to such property

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- until construction or development is complete, at which time the property becomes investment property and this Standard applies;
- property that is leased to another entity under a finance lease;
 - property held to provide a social service and which also generates cash inflows; and
 - property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on *Property, Plant and Equipment*.

1.12.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.12.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.12.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 16, GRAP 3.

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1.12.6 Transitional provisions

Investment properties recognised in terms of GRAP 16 have been presented for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4

1.13. NON-CURRENT ASSETS HELD FOR SALE

1.13.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.13.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.14. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.14.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

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discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.14.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- Depreciated replacement cost approach: the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- Restoration cost approach: the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- Service unit approach: the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.15. INVENTORIES

1.15.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.15.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The municipality valued consumables according to the weighted-average-cost method. Water and chemicals are valued at cost as these items and their cost can be specifically identified. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.15.3. Transition provision

The municipality recognised all inventory in terms of GRAP 12 for the financial year ended 30 June 2012 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 4.

1.16. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, loans and trade and other payables.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique

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makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

1.16.1 Initial Recognition

A municipality shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the municipality becomes a party to the contractual provisions of the instrument. A municipality recognises financial assets using trade date accounting.

The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

When a financial asset or financial liability is recognised initially, the municipality shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.16.2 Subsequent Measurement

A municipality shall measure all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; or
- Financial instruments at cost.

The municipality may not reclassify a financial instrument while it is issued or held unless it is:

- an investment in a residual interest and the fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality shall reclassify the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost;
- a combined instrument that is required to be measured at fair value if a municipality is required by this Standard to separate an embedded derivative from its host contract, but is unable to measure reliably the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid (combined) contract as at fair value.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

1.16.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. The balance as at 30 June included accumulated interest.

1.16.2.2 Trade and Other Receivables

Trade and other receivables are classified as financial instruments at cost, and are subsequently measured at cost.

For amounts due from debtors carried at cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced

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through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

1.16.2.3 Trade and Other Payables and Other Liabilities

Financial liabilities consist of trade and other payables and other liabilities. They are categorised as financial liabilities held cost, are initially recognised at fair value and subsequently measured at cost.

1.16.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities. Other financial liabilities carried at amortised cost.

1.16.3 De-recognition of Financial Instruments

1.16.3.1 De-recognition of financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality shall derecognise a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to

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an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:

- (i) derecognise the asset; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

1.16.3.2 De-recognition of financial liabilities

The municipality shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction, are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.16.4 Offsetting a financial asset and a financial liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the municipality:

- (a) currently has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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In accounting for a transfer of a financial asset that does not qualify for de-recognition, the municipality shall not offset the transferred asset and the associated liability.

1.17. REVENUE

1.17.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions, donations and contributed property, plant and equipment is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date,

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and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.17.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the rendering of services will be recognised when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

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- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the municipality and the purchaser or user of the asset or service.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue.

1.17.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.18. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All managers or members of the entity, being the Mayor and members of the Council.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.19. BORROWING COST

The municipality capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset except when it is inappropriate to do so. The municipality recognises other borrowing costs as an expense in the period in which it incurs them. It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of the municipality directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, the municipality shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

To the extent that the municipality borrows funds specifically for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that the municipality borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the municipality shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the municipality that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality shall begin capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is the date when the municipality first meets all of the following conditions:

- It incurs expenditures for the asset;
- It incurs borrowing costs; and
- It undertakes activities that are necessary to prepare the asset for its intended use or sale.

The municipality shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

1.19.1. Transition provision

The municipality apply the requirements of the Standard of GRAP on Borrowing Costs prospectively. The requirements of the Standard of GRAP on Borrowing Costs only apply to those borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the effective date of the Standard.

1.20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods.

1.24. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.25. CORRECTION OF PRIOR PERIOD ERRORS

Prior period errors are omissions from, and misstatements in, the municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

The municipality shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the municipality shall restate the comparative information to correct the error prospectively from the earliest date practicable.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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	2013 R	2012 R
LONG-TERM LIABILITIES		
Other financial liabilities	3,629,964	3,964,197
Capitalised Lease Liability - At amortised cost	1,372,838	2,734,746
	5,002,802	6,698,943
Current Portion Transferred to Current Liabilities	379,661	1,566,054
Other Financial Liability - At amortised cost	360,803	276,331
Capitalised Lease Liability - At amortised cost	18,858	1,289,723
Non-current long-term liabilities - At amortised cost using the effective interest rate method	4,623,141	5,132,889
Refer below for maturity dates of long term liabilities:		
The obligations under other financial liabilities are scheduled below:		
	Minimum liability payments	
Amounts payable under other financial liabilities:		
Payable within one year	816,066	816,066
Payable within two to five years	3,018,876	3,059,276
Payable after five years	1,470,536	2,200,234
	5,305,478	6,075,576
Less: Future finance charge obligations	1,675,515	2,111,379
Present value of annuity obligations	3,629,964	3,964,197
The Infrastructure Finance Corporate Limited loans expire on 30th September 2014, the terms stipulates that payments should be made half yearly September and March, interest accrues on the outstanding balance and the rate is 16 % per annum.		
The Development Bank of South Africa loan expires on 1st April 2020, and the terms stipulates that payments should be made quarterly, interest accrues on the outstanding balance and the rate is 12,5% and at 14,5% on payments in arrears.		
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	1,414,268	1,542,669
Payable within two to five years	18,859	1,542,669
Payable after five years	-	-
	1,433,127	3,085,338
Less: Future finance charge obligations	60,288	350,592
Present value of lease obligations	1,372,838	2,734,746
The Copperleaf finance lease agreement (Rental of Photocopiers) loans expire on 30th July 2014, the terms stipulates that payments should be made monthly of R67 998, interest accrues on the outstanding balance and the rate is 14.08% per annum.		
The Multitech Corporation finance lease agreement (Rental of Telephone system) loans expire on 30th May 2014, the terms stipulates that payments should be made monthly of R65 000, interest accrues on the outstanding balance and the rate is 9.28% per annum.		
Leases are secured by property, plant and equipment - Note 11		
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
The net carrying value of the finance lease assets as presented according to note 11.		
Leased assets		
Office Equipment & Vehicles	3,419,041	1,660,405
Defaults and breaches		
There was no default during the period of principal, interest, sinking fund or redemption terms of loans payable. No terms were renegotiated before the financial statements were authorised for issue.		
There are no contingent rent payable on finance lease agreements.		
There no restrictions placed on the finance lease agreements.		

3

EMPLOYEE BENEFITS		
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MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Post Retirement Medical Benefits	4,996,420	5,382,162
Long Service Awards	2,544,649	1,994,534
Total Non-current Employee Benefit Liabilities	7,541,069	7,376,696
<u>Post Retirement Medical Benefits</u>		
Balance 1 July	5,882,862	4,812,260
Current service cost	-	-
Interest Cost	379,201	386,621
Expenditure for the year	(500,700)	(503,362)
Actuarial Loss/(Gain)	(280,779)	1,187,343
Total post retirement benefits 30 June	5,480,584	5,882,862
Less: Transfer of Current Portion - Note 6	(484,164)	(500,700)
Balance 30 June	4,996,420	5,382,162
<u>Long Service Awards</u>		
Balance 1 July	2,263,088	2,308,146
Current service cost	340,905	357,032
Interest Cost	131,898	143,469
Expenditure for the year	(268,554)	(658,764)
Actuarial Loss/(Gain)	325,813	113,205
Total long service 30 June	2,793,150	2,263,088
Less: Transfer of Current Portion - Note 6	(248,501)	(268,554)
Balance 30 June	2,544,649	1,994,534
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	8,145,950	7,120,406
Current service cost	340,905	357,032
Interest cost	511,099	530,090
Expenditure for the year	(769,254)	(1,162,126)
Actuarial Loss/(Gain)	45,034	1,300,548
Total employee benefits 30 June	8,273,734	8,145,950
Less: Transfer of Current Portion - Note 6	(732,665)	(769,254)
Balance 30 June	7,541,069	7,376,696
3.1 <u>Post Retirement Medical Benefits</u>		
The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	-	-
In-service (employee) non-members	-	-
Continuation members (e.g. Retirees, widows, orphans)	17	18
Total Members	17	18
The liability in respect of past service has been estimated to be as follows:		
In-service members	-	-
Continuation members	5,480,584	5,882,862
Total Liability	5,480,584	5,882,862
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	2011 R	2010 R
In-service members	-	-
Continuation members	4,812,260	4,811,830
Total Liability	4,812,260	4,811,830

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013

R

2012

R

3

EMPLOYEE BENEFITS (CONTINUE)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Keyhealth.

Key actuarial assumptions used:

i) Rate of interest

Discount rate

7.52%

6.73%

Health Care Cost Inflation Rate

7.56%

6.83%

Net Effective Discount Rate

-0.04%

-0.10%

ii) Mortality rates

The PA90-1 ultimate table, rated down by 1 year of age was used by the actuaries.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

4,996,420

5,382,162

Net liability/(asset)

4,996,420

5,382,162

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

5,882,862

4,812,260

Total expenses

(121,499)

(116,741)

Current service cost

-

-

Interest Cost

379,201

386,621

Benefits Paid

(500,700)

(503,362)

Actuarial (gains)/losses

(280,779)

1,187,343

Present value of fund obligation at the end of the year

5,480,584

5,882,862

Less: Transfer of Current Portion - Note 6

(484,164)

(500,700)

Balance 30 June

4,996,420

5,382,162

The best estimate of benefit payments expected in the following financial periods:

2015

R

2014

R

Opening accrued liability

5,390,513

5,480,584

Current-service cost

-

-

Interest cost

385,973

394,093

Benefits vesting

(520,752)

(484,164)

Total annual expenses

(134,779)

(90,071)

Closing accrued liability

5,255,734

5,390,513

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption

In-service members liability (Rm)

Continuation members liability (Rm)

Total liability (Rm)

Central Assumptions

The effect of movements in the assumptions are as follows:

-

5.481

5.481

Assumption

Change

In-service members liability (Rm)

Continuation members liability (Rm)

Total liability (Rm)

% change

Health care inflation

1%

-

5.950

5.950

9%

Health care inflation

-1%

-

5.063

5.063

-8%

Post-retirement mortality

-1 year

-

5.767

5.767

5%

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R		
3	EMPLOYEE BENEFITS (CONTINUE)				
Sensitivity Analysis on the Interest Cost					
Assumption		In-service members liability (R)	Continuation members liability (R)	Total liability (R)	
Central Assumptions					
The effect of movements in the assumptions are as follows:		-	379,200	379,200	
Assumption	Change	In-service members liability	Continuation members liability	Total liability	% change
Health care inflation	1%	-	414,600	414,600	9%
Health care inflation	-1%	-	347,800	347,800	-8%
Post-retirement mortality	-1 year	-	399,600	399,600	5%

3.2 Long Service Awards

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

	372	297
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Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.20%	6.19%
General Salary Inflation (long-term)	6.80%	5.97%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.38%	0.21%

ii) Key demographic assumptions

The table below summarises the key demographic assumptions used for 2013 and 2012 financial year:

Assumptions	Value		
Average retirement age	60		
Mortality during employment	SA85-90		
Withdrawal from service (sample annual rates)	Age	Rate	
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
55	0%	0%	

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2,793,150	2,263,088
Net liability	2,793,150	2,263,088

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2011 R	2010 R
Total Liability	2,308,146	2,011,081

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2,263,088	2,308,146
Total expenses	204,249	(158,263)
Current service cost	340,905	357,032
Interest Cost	131,898	143,469
Benefits Paid	(268,554)	(658,764)
Actuarial (gains)/losses	325,813	113,205
Present value of fund obligation at the end of the year	2,793,150	2,263,088
Less: Transfer of Current Portion - Note 6	(248,501)	(268,554)
Balance 30 June	2,544,649	1,994,534

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The best estimate of benefit payments expected in the following financial periods:		
	2014 R	2014 R
Opening accrued liability	3,099,374	2,793,150
Current-service cost	388,527	362,435
Interest cost	209,478	192,290
Benefits vesting	(385,824)	(248,501)
Total annual expenses	212,181	306,224
Closing accrued liability	3,311,555	3,099,374

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		2.793	
General salary inflation	+1%	2.971	6%
General salary inflation	-1%	2.631	-6%
Average retirement age	-2 yrs	2.536	-9%
Average retirement age	+2 yrs	3.115	12%
Withdrawal rates	-50%	3.389	21%

The table above indicates that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than disclosed on the statement of financial position.

Sensitivity Analysis on the Current-Service and Interest Cost

Assumption	Change	Current- Service Cost (R)	Interest Cost (R)	% change
Central assumptions		340,900	131,900	
General salary inflation	+1%	360,800	141,000	6%
General salary inflation	-1%	323,000	123,600	-6%
Average retirement age	-2 yrs	314,900	117,500	-9%
Average retirement age	+2 yrs	370,300	147,900	10%
Withdrawal rates	-50%	417,800	162,100	23%

No plan assets are disclosed as the benefit plan is unfunded.

3.3 Additional disclosure to employee benefits

Long Service Awards

The Municipality offers employees long service awards for every five years of service completed, from five years of service to 45 years of service, inclusive.

The below described the benefits awarded:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)
5	4%
10	7%
15	10%
20	11%
25, 30, 35, 40, 45	12%

Post Retirement Medical Benefits

Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
3 EMPLOYEE BENEFITS (CONTINUE)		
Contribution Rate Structure		
Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.		
Subsidy Policy		
All continuation members receive a 60% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy. The subsidy is assumed to be R 3,557.65 for the ensuing year. This cap has been assumed to increase in the future in line with 75% of salary inflation.		
The effective date of the actuarial valuation of the long service awards obligation and the post employment medical benefit obligation was the 30 June 2013 and were performed by independent professional valuers. The next actuarial valuation is expected to be performed on the 30 June 2014.		
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	8,595,657	8,186,340
Total Non-current Employee Benefit Liabilities	8,595,657	8,186,340
Landfill Sites		
Balance 1 July	8,617,200	8,143,254
Contribution to the provision due to interest cost	430,860	473,946
Total provision 30 June	9,048,060	8,617,200
Less: Transfer of Current Portion to Current Provisions - Note 7	(452,403)	(430,860)
Balance 30 June	8,595,657	8,186,340
The estimated rehabilitation cost are for the landfill sites at Theunissen, Brandfort, Soutpan, Windburg and Verkeerdevlei. An once-off cost estimation were performed by independent consultants during September 2012 and it is expected that an estimation will be performed during October 2013. The provision has been made for the net present value of this cost, using the average cost of borrowing interest rate of 5.00% (2012: 5.50%). The expected timing is still uncertain as the expected use are still undeterminable. The uncertainty regarding the amount are based on the variation of the average borrowing interest rate in the future.		
Due to the uncertainty of the period that the landfill sites will still be used before rehabilitation it is not possible to accurately determine the impact of the time value of money and the expenditure to be incurred in the future when rehabilitation commences.		
There were reductions in the carrying amounts of provisions resulting from re-measurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.		
There were no unused amounts reversed during the period and the increase/decrease during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate are disclosed above as the provision due to the interest cost.		
5 CONSUMER DEPOSITS		
Water and Electricity	1,043,220	977,241
Total Consumer Deposits	1,043,220	977,241
Guarantees held in lieu of Electricity and Water Deposits	-	-
The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Medical Benefits - Note 3	484,164	500,700
Current Portion of Long-Service Awards - Note 3	248,501	268,554
Total Current Employee Benefits	732,665	769,254

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
7	PROVISIONS		
	Provision for Landfill Sites - Note 4	452,403	430,860
	Total Provisions	452,403	430,860
8	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	13,851,923	19,667,177
	Accruals	6,143,102	4,110,691
	Staff bonus	914,629	557,920
	Staff Leave	5,987,888	5,119,105
	Sundry Creditors	8,652,786	16,409,833
	Total Trade Payables	35,550,328	45,864,726
	Payables are being recognised net of any discounts.		
	The carrying value of trade and other payables approximates its fair value.		
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009.		
	The municipality decided to early adopt the GRAP 104 on 30 June 2012 and the impact of the above is that payables from exchange transactions need not to be discounted with effective interest rate method. The early adoption require the effects be adjusted retrospectively where practicable in accordance with the requirements of GRAP 104, GRAP 3 and ASB Directive 4.		
	The municipality did not previously discount the payables from exchange transactions and therefore are there no effect on the comparative balances.		
9	UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants		
	Municipal Infrastructure Grant (MIG)	7,888,682	-
	Unpaid Grants		
	Regional Bulk Infrastructure Grant	(717,828)	-
	Total Unpaid Conditional Grants and Receipts	7,170,854	-
	See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.		
10	TAXES		
	VAT RECEIVABLE / PAYABLE		
	VAT Payable	8,589,840	14,376,504
	Total Vat (receivable) / payable	8,589,840	14,376,504

The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).

The total amount of VAT receivable at 30 June 2012 is R479 042 (30 June 2011: R470 236) on the cash basis. The balance on the accrual basis at 30 June 2012 is R14 855 938 (30 June 2011: R11 644 726) and this is the net amount payable after all cash receipts of consumers and cash payments to suppliers.

	2013 R	2012 R
<hr/>		

	2013 R	2012 R
<hr/>		

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

				2013 R	2012 R
11	PROPERTY, PLANT AND EQUIPMENT (CONTINUE)				
	Assets pledged as security:				
	Finance Lease assets are pledged as security for finance leases.				
	Property, plant and equipment has been restated due to full compliance with GRAP for the year ended 30 June 2012.				
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment property in accordance with GRAP 17 for the financial years up to 30 June 2011.				
	The municipality has identified and measured all Property, plant and equipment in terms of GRAP 17 for the financial year ended 30 June 2012.				
12	INVESTMENTS				
	Financial assets at fair value through profit or loss				
	Non-current Assets				
	Senwes shares			88,234	79,086
				88,234	79,086
	For debt securities classified as at fair value through surplus or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.				
	There are no restrictions placed on the investments and none of the investment items are provided as security.				
	The shares are unlisted shares and the trading price are used to value the shares at 30 June as published by the issuer:				
		Nr of shares	Trading price		
			2013	2012	
	Senwes Limited	4,857	R10.50	R9.00	50,999
	Senwesbel Limited	7,447	R5.00	R4.75	37,235
					88,234
					79,086
	Income received from these investments:				
	Dividend income			5,812	5,857
				5,812	5,857
	Current assets			-	-
	Non-current assets			88,234	79,086
				88,234	79,086
13	INVESTMENT PROPERTY				
	Net Carrying amount at 1 July			72,209,400	66,559,204
	Cost			72,209,400	66,559,204
	Accumulated Depreciation			-	-
	Acquisitions			-	5,650,196
	Depreciation for the year			(58,303)	-
	Net Carrying amount at 30 June			72,151,097	72,209,400
	Cost			72,209,400	72,209,400
	Accumulated Depreciation			(58,303)	-
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.				
	The carrying amount of these assets approximates their fair value.				
	Investment property has been restated due to full compliance with GRAP for the year ended 30 June 2012.				
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment property in accordance with GRAP 17 for the financial years up to 30 June 2011.				
	The municipality has identified and measured all Investment Property in terms of GRAP 16 for the financial year ended 30 June 2012.				

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
14 INVESTMENT PROPERTY (CONTINUE)		
The municipality has no contractual obligations to purchase, construct or develop investment property for the 2014/2013 year. The municipality has budgeted to incur (2012: R383 292) repairs and maintenance on the investment properties.		
Revenue derived from the rental of investment property	142,658	386,628
15 INVENTORY		
Stores, materials and fuels	133,756	255,407
Water – at cost	6,777	24,491
Total Inventory	140,533	279,899
There are no restrictions placed on the inventory and none of the inventory items are provided as security.		
Inventory has been restated due to full compliance with GRAP for the year ended 30 June 2012.		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Inventory in accordance with GRAP 12 for the financial years up to 30 June 2011 for the following inventory:		
Water in reservoirs; and		
Water in pipelines		
The municipality has identified and measured all Inventory in terms of GRAP 12 for the financial year ended 30 June 2012.		
16 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	53,145,869	10,297,813
Water	37,147,919	15,625,831
Refuse	20,415,341	9,821,520
Sewerage	42,465,452	18,528,543
Other	34,272,831	91,986,829
Total Receivables from Exchange Transactions	187,447,412	146,260,536
Less: Allowance for Doubtful Debts	(145,403,845)	(126,855,483)
Total Net Receivables from Exchange Transactions	42,043,568	19,405,053
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
Discounting of trade and other receivables on initial recognition is not deemed necessary		
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	5,280,527	1,547,029
31 - 60 Days	(303,388)	1,002,719
61 - 90 Days	1,577,474	856,510
+ 90 Days	46,591,255	6,891,555
Total	53,145,869	10,297,813
<u>(Water): Ageing</u>		
Current (0 - 30 days)	3,148,862	1,433,263
31 - 60 Days	(9,793)	1,294,375
61 - 90 Days	1,246,817	1,191,517
+ 90 Days	32,762,034	11,706,676
Total	37,147,919	15,625,830
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1,545,390	1,265
31 - 60 Days	(343)	692,677
61 - 90 Days	768,100	678,704
+ 90 Days	18,102,194	8,448,874
Total	20,415,341	9,821,520

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
16 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)		
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	3,205,695	1,475,309
31 - 60 Days	(491)	1,397,015
61 - 90 Days	1,581,910	1,356,067
+ 90 Days	37,678,338	14,300,152
Total	42,465,452	18,528,544
<u>(Other): Ageing</u>		
Current (0 - 30 days)	-	(16,582)
31 - 60 Days	-	(52,097)
61 - 90 Days	(2,921,464)	(47,463)
+ 90 Days	37,194,295	92,102,972
Total	34,272,831	91,986,829
<u>(Total): Ageing</u>		
Current (0 - 30 days)	13,180,474	4,440,284
31 - 60 Days	(314,014)	4,334,690
61 - 90 Days	2,252,837	4,035,334
+ 90 Days	172,328,116	133,450,228
Total	187,447,412	146,260,536
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	(126,855,483)	(132,056,435)
Contribution to provision/(Reversal of provision)	(18,548,362)	5,200,952
Balance at end of year	(145,403,845)	(126,855,483)
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009.		
The municipality decided to early adopt the GRAP 104 on 30 June 2012 and the impact of the above is that payables from exchange transactions need not to be discounted with effective interest rate method. The early adoption require the effects be adjusted retrospectively where practicable in accordance with the requirements of GRAP 104, GRAP 3 and ASB Directive 4.		
The municipality did not previously discount the payables from exchange transactions and therefore are there no effect on the comparative balances.		
17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	65,262,163	45,899,599
Sundry Debtors	19,800,123	10,478
Total Receivables from Non-Exchange Transactions	85,062,286	45,910,077
Less: Allowance for Doubtful Debts	(50,494,726)	(39,722,900)
Total Net Receivables from Non-Exchange Transactions	34,567,560	6,187,177
Ageing of Receivables from Non-Exchange Transactions:		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	2,335,732	1,859,799
31 - 60 Days	(710,015)	(480,456)
61 - 90 Days	1,134,567	1,006,274
+ 90 Days	62,501,879	43,513,982
Total	65,262,163	45,899,599

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUE)		
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	(39,722,900)	(39,462,780)
Contribution to provision/(Reversal of provision)	(10,771,826)	(260,120)
Balance at end of year	(50,494,726)	(39,722,900)
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009.		
The municipality decided to early adopt the GRAP 104 on 30 June 2012 and the impact of the above is that payables from exchange transactions need not to be discounted with effective interest rate method. The early adoption require the effects be adjusted retrospectively where practicable in accordance with the requirements of GRAP 104, GRAP 3 and ASB Directive 4.		
The municipality did not previously discount the payables from exchange transactions and therefore are there no effect on the comparative balances.		
18 CASH AND CASH EQUIVALENTS		
Assets		
Call Deposits accounts	2,731,854	795,392
Primary Bank Account	-	417,941
Cash Floats	8,117	-
Other Cash and Cash Equivalents	24,699	73,936
Total Cash and Cash Equivalents - Assets	2,764,671	1,287,269
Liabilities		
Primary Bank Account	848,118	-
Total Cash and Cash Equivalents - Liabilities	848,118	-
Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these		
The municipality has the following bank accounts:		
Current Accounts		
ABSA Bank: Cheque Account nr 91 0161 0864	(848,118)	417,941
	(848,118)	417,941
ABSA Bank: Cheque Account nr 91 0161 0864		
Cash book balance at beginning of year	417,941	527,000
Cash book balance at end of year	(848,118)	417,941
Call Deposits accounts		
Call investment deposits consist out of the following accounts:		
Call Deposits accounts	2,731,854	795,392
	2,731,854	795,392
Call Deposits accounts		
ABSA Bank Account nr 90 6109 6643	1,688,448	72,507
ABSA Bank Account nr 20 4640 4292	11,620	11,620
ABSA Bank Account nr 20 4900 4718	22,097	853
ABSA Bank Account nr 91 0161 0864	1,009,689	710,409
	2,731,854	795,389
None of the above accounts are provided as securities.		
No restrictions have been placed on the use of cash and cash equivalents for the operations of the entity.		

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
19	PROPERTY TAXES		
	<u>Actual</u>		
	Rateable Land and Buildings	17,984,969	17,129,565
	Residential, Commercial Property, State	17,984,969	17,129,565
	Less: Rebates	(2,909,197)	(4,188,371)
	Total Assessment Rates	15,075,772	12,941,193
	<u>Valuations</u>		
	Rateable Land and Buildings	R'000	R'000
	Residential	672,722	647,043
	Business & Commercial	208,899	209,328
	Government	56,225	14,697
	Exempt Properties	39,851	39,851
	Agricultural	1,805,358	1,805,358
	Total Assessment Rates	2,783,056	2,716,277
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.		
	Rates:	c/R	c/R
	Residential	0.01200	0.01200
	Commercial	0.02400	0.02400
	Agricultural	0.00300	0.00300
	Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is not levied on outstanding monthly rates.		
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
	Rates payable on an annual basis will be subject to a discount of 5% if paid in full on or before 30 September of each year. Interest on arrears rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the provisions of the Credit Control and Debt Collection Policy of the Municipality.		
20	GOVERNMENT GRANTS AND SUBSIDIES		
	Unconditional Grants	81,091,000	72,369,831
	Equitable Share	81,091,000	72,369,831
	Conditional Grants	39,376,462	32,958,438
	Grants and subsidies	39,376,462	32,958,438
	Total Government Grants and Subsidies	120,467,462	105,328,269
	The municipality does not expect any significant changes to the level of grants.		
20.01	Equitable share		
	Opening balance	-	-
	Grants received	81,091,000	72,369,831
	Conditions met	(81,091,000)	(72,369,831)
	Conditions still to be met/(Grant expenditure to be recovered)	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. The grant is used to subsidise the provision of basic service to the community.		
20.02	Municipal Infrastructure Grant (MIG)		
	Opening balance	-	-
	Grants received	36,782,000	30,322,000
	Conditions met	(28,893,318)	(30,322,000)
	Conditions still to be met/Unspent portion	7,888,682	-
	This grant was used construct municipal infrastructure to provide basic services for the benefit of the poor households. The conditions of the grants were met.		

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
20	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
20.03	Local Government Financial Management Grant (FMG)		
	Opening balance	-	-
	Grants received	1,500,000	1,250,000
	Conditions met	(1,500,000)	(1,250,000)
	Conditions still to be met	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
20.04	Municipal Systems Improvement Grant		
	Opening balance	-	-
	Grants received	800,000	790,000
	Conditions met	(800,000)	(790,000)
	Conditions still to be met	-	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
20.05	Housing Grants		
	Opening balance	-	-
	Grants received	-	81,900
	Conditions met	-	(81,900)
	Grant expenditure to be recovered	-	-
	Housing grants was utilised for the development of erven and the erection of top structures.		
20.06	Local Government Sector Education Training Authority (LGSETA)		
	Opening balance	-	-
	Grants received	265,070	257,269
	Conditions met	(265,070)	(257,269)
	Grant expenditure to be recovered	-	-
20.07	Regional Bulk Infrastructure Grant		
	Opening balance	-	-
	Grants received	6,749,075	-
	Conditions met	(7,466,904)	-
	Grant expenditure to be recovered	(717,828)	-
20.08	Expanded Public Works Programme Integrated Grant for Municipalities		
	Opening balance	-	-
	Grants received	1,169,000	-
	Conditions met	(1,169,000)	-
	Conditions still to be met	-	-
20.09	Total Grants		
	Opening balance	-	-
	Grants received	128,356,145	105,071,000
	Conditions met	(121,185,291)	(105,071,000)
	Write off - Irrecoverable grant expenditure	-	-
	Conditions still to be met/(Grant expenditure to be recovered)	7,170,854	-
21	SERVICE CHARGES		
	Electricity	21,817,961	16,472,834
	Water	15,760,310	14,638,928
	Sewerage	18,289,647	17,173,561
	Refuse removal	9,066,312	8,446,778
	Other service charges	3,426	4,457
	Less: Rebates	64,937,655	56,736,558
		(3,873,349)	(3,625,846)
	Total Service Charges	61,064,306	53,110,712

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
22 OTHER INCOME		
Sundry income	267,519	342,391
Reverse of provision for retention fees	12,506,471	-
Profit on the exchange of lease assets	2,981,651	-
Grave Fees	118,821	129,175
Total Other Income	15,874,462	471,566
Sundry income represents sundry income such as copies, tender deposit, clearance certificate fees and reconnection fees.		
23 EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	35,252,303	32,701,299
Bonus	3,169,380	1,766,008
Medical Aid - company contributions	2,381,489	1,771,790
UIF	448,203	382,462
Compensation fund provision	412,219	281,763
SDL	470,793	359,778
Other payroll levies	32,931	28,432
Provision Leave	1,073,808	842,588
Provision Bonuses	-	(38,197)
Contributions to Pension and Provident funds	5,146,401	4,373,348
Post-employment benefits	149,398	-
Overtime payments	2,633,125	2,067,548
Housing Benefits and allowances	65,878	68,234
Allowance: Cell Phones	506,193	215,743
Allowance: Locomotion - Fixed	3,636,794	2,389,674
Allowance: Standby	385,704	300,992
Allowance: Sundry	92,619	50,152
Total Employee Related Costs	55,857,239	47,561,613
KEY MANAGEMENT PERSONNEL		
Municipal Manager and all other Directors are appointed on fixed term contracts.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Previous Municipal Manager - Mr Mpakane		
Annual Remuneration	135,392	378,216
Travel, motor car, accommodation, subsistence and other allowances	122,602	302,566
Contributions to UIF, Medical and Pension Funds	3,003	7,663
Total	260,997	688,446
Remuneration of Municipal Manager - Mr Mtakati		
Annual Remuneration	574,359	-
Travel, motor car, accommodation, subsistence and other allowances	250,641	-
Contributions to UIF, Medical and Pension Funds	9,087	-
Total	834,087	-
Remuneration of Chief Financial Officer - Mr L I Tiatsi		
Annual Remuneration	134,451	377,977
Travel, motor car, accommodation, subsistence and other allowances	112,358	313,750
Contributions to UIF, Medical and Pension Funds	2,419	7,014
Total	249,227	698,740
Remuneration of Chief Financial Officer - Ms M Mokoena		
Annual Remuneration	285,139	-
Travel, motor car, accommodation, subsistence and other allowances	139,617	-
Contributions to UIF, Medical and Pension Funds	4,712	-
Total	424,756	-
Remuneration of Corporate Services Manager - Mr S J Lehloeny		
Annual Remuneration	213,632	415,813
Travel, motor car, accommodation, subsistence and other allowances	98,564	276,247
Contributions to UIF, Medical and Pension Funds	3,450	7,446
Total	315,646	699,505

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
23	EMPLOYEE RELATED COSTS (CONTINUE)		
	Remuneration of Corporate Services Manager - Mr M.D Nthau		
	Annual Remuneration	150,000	-
	Travel, motor car, accommodation, subsistence and other allowances	100,000	-
	Contributions to UIF, Medical and Pension Funds	10,841	-
	Total	250,000	-
	Remuneration of Previous Community and Social Services Manager - Me M E Maphobole		
	(Acting Municipal Manager)		
	Annual Remuneration	471,281	508,512
	Travel, motor car, accommodation, subsistence and other allowances	115,384.00	214,153
	Contributions to UIF, Medical and Pension Funds	6,825.00	8,301
	Total	593,490	730,966
	Remuneration of Infrastructure Director - T B Maja		
	Annual Remuneration	698,159	-
	Travel, motor car, accommodation, subsistence and other allowances	120,000	-
	Contributions to UIF, Medical and Pension Funds	9,654	-
	Total	827,813	-
	Remuneration of Acting Chief Financial Officer - Mr J Vermeulen		
	Annual Remuneration	195,000	325,000
	Travel, motor car, accommodation, subsistence and other allowances	-	63,000
	Contributions to UIF, Medical and Pension Funds	-	-
	Total	195,000	388,000
24	REMUNERATION OF COUNCILLORS		
	Mayor	-	287,408
	Speaker	21,505	332,998
	Councillors	5,254,779	4,431,203
	Total Councillors' Remuneration	5,276,284	5,051,609
	The Executive Mayor and all the committee members are full-time. The Mayor are provided with secretarial support and an office at the cost of the Council.		
25	DEBT IMPAIRMENT		
	Contribution to provision for receivables from exchange and non-exchange transactions	25,945,828	(4,334,063)
	Bad debts written off	-	24,927,126
	Total Contribution to Debt Impairment	25,945,828	20,593,063
26	DEPRECIATION AND IMPAIRMENT		
	Property Plant and Equipment	24,542,715	493,027,066
	Total	24,601,019	493,027,066
27	FINANCE CHARGES		
	Trade and Other payables	-	603,965
	Other liabilities at amortised cost	349,108	534,890
	Borrowings	430,860	467,656
	Finance leases at amortised cost	183,365	392,648
	Actuarial Interest	511,099	530,090
	Total finance charges	1,474,432	2,529,249
28	BULK PURCHASES		
	Electricity	26,294,123	24,731,608
	Water	1,890,928	1,259,132
	Total Bulk Purchases	28,185,051	25,990,741

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
29 GENERAL EXPENSES		
Accounting Fees	-	-
Advertising	834,470	1,169,462
Audit fees	1,792,158	2,145,886
Bank charges	354,638	271,498
Bursaries	-	-
Chemicals	2,409,418	3,125,292
Cleaning	662	6,355
Community development and training	259,566	328,180
Consulting and professional fees	8,511,642	9,676,597
Consumables	182,482	107,024
Entertainment	126,701	94,946
Fuel and oil	1,467,827	1,731,005
IDP review	138,232	525,087
Indigent Support	20,257	-
Insurance	9,997	-
Lease rentals on operating lease	976,459	1,703,978
Licence & Registration - Vehicles	385,119	106,625
Licence Fees - Financial System	189,260	709,433
Magazines, books and periodicals	305,020	6,794
Motor vehicle expenses	-	1,267,912
Other Expenses	343,504	1,016,054
Postage and courier	138,645	951,806
Printing and stationary	291,378	308,238
Security (Guarding of municipal property)	125,976	217,776
Software expenses	21,355	24,143
Subscriptions and membership fees	415,000	342,944
Telephone and fax	2,462,230	1,762,803
Training	561,969	1,152,875
Travel, Accom. and Subsistence	701,796	484,661
Uniforms	82,969	42,875
General Expenses	23,126,727	29,350,127
32 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH		
Surplus/(Deficit) for the year	59,117,868	(456,796,639)
Adjustments for:		
Depreciation and impairment	24,601,019	493,027,066
Gain on disposal of property, plant and equipment	(2,981,651)	-
Reverse provision for retention liability	(12,506,471)	-
Debt Impairment	25,945,828	20,593,063
Contribution to landfill site provision	430,860	473,946
Contribution from/to employee benefits	852,004	887,122
Other non-cash flow items	(3,093,284)	-
Actuarial Losses / (Gains)	45,034	1,300,548
Fair Value Adjustments	(6,666)	-
Operating Surplus/(Deficit) before changes in working capital	92,404,541	59,485,105
Changes in working capital	(70,441,278)	(9,824,345)
Increase/(Decrease) in Trade and Other Payables	4,707,548	3,108,741
Increase/(Decrease) in Consumer Deposits	65,979	8,215
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	7,170,854	-
Increase/(Decrease) in Taxes	(2,185,939)	3,202,014
(Increase)/Decrease in Inventory	139,366	(82,194)
(Increase)/Decrease in Receivables from exchange transactions	(41,186,876)	(12,072,487)
(Increase)/Decrease in Receivables from non-exchange transactions	(39,152,209)	(3,988,635)
Cash generated/(absorbed) by operations	21,963,264	49,660,760
33 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 18	2,731,854	795,389
Primary Bank Account - Note 18	(840,001)	-
Primary Bank Account - Note 18	-	417,941
Other Cash and Cash Equivalents - Note 18	24,699	73,936
Total cash and cash equivalents	1,916,552	1,287,266

	2013 R	2012 R
RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 33	1,916,552	1,287,266
Cash and Cash Equivalents - Note 33	1,916,552	1,287,266
Less:	16,478,523	14,376,504
Unspent Committed Conditional Grants - Note 9	7,888,682	-
VAT - Note 10	8,589,840	14,376,504
Resources available/(unavailable) for working capital requirements	(14,561,970)	(13,089,238)

34

BUDGET COMPARISONS

ACTUAL INCOME AND EXPENDITURE COMPARED TO ADJUSTED BUDGET

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
34.1 Operational				
Revenue by source				
Fines	49,126	15,614	33,512	215%
Government Grants and Subsidies	120,467,462	128,173,000	(7,705,538)	(6%)
Interest Earned - external investments	439,193	321,456	117,737	37%
Other Income	15,874,462	345,331	15,529,131	4497%
Property Rates	15,075,772	10,358,915	4,716,857	46%
Rental of Facilities and Equipment	142,658	105,970	36,688	35%
Interest Earned - outstanding debtors	15,003,523	12,500,000	2,503,523	20%
Service Charges	61,064,306	54,882,889	6,181,417	11%
Dividends received	5,812	10,231	(4,419)	(43%)
	228,128,980	206,713,406	21,415,574	10%
Expenditure by nature				
Bulk Purchases	28,185,051	26,950,000	(1,235,051)	5%
Capital expenditure	-	3,391,269	3,391,269	(100%)
Debt Impairment	25,945,828	20,531,022	(5,414,806)	26%
Depreciation and Impairment	24,601,019	1,900,000	(22,701,019)	1195%
Employee Related Costs	55,857,239	50,445,206	(5,412,033)	11%
Finance Charges	1,474,432	536,598	(937,834)	175%
Actuarial losses	45,034	-	(45,034)	(100%)
General Expenses	23,126,727	36,783,311	13,656,584	(37%)
Remuneration of Councillors	5,276,284	5,702,754	426,470	(7%)
Repairs and Maintenance	4,499,498	12,592,986	8,093,488	(64%)
	169,011,112	158,833,146	(10,177,966)	6%
Net Surplus for the year	59,117,868	47,880,260	11,237,608	23%

The following explanations are provided by the municipality for the significant variances:

Fines

As there was only one traffic officer for all the towns in Masilonyana a conservative approach was used for budgeting of fine income. This relates to the variance between the actual and budgeted amounts.

Interest Earned - external investments

The interest received is from the investment account which purpose relates to the ring fencing of MIG Funds and is dependable from the withdrawing and depositing of funds in the account. As MIG expense varies substantially during the course of the year a variance can be expected and it is not possible to accurately estimate the interest income

Other Income

These types of income is very dependable on consumer behaviour and marginal variances will occur between the budget and the actual income. The significant difference is also the reverse of the retention provision of R12 506 470 and profit on exchange of the fixed assets of R2 981 651 that were not budgeted.

Property Rates

The variance is due to the indigent subsidy been deducted from the budgeted property rates income as is not the case with the actual outcome.

Interest Earned - outstanding debtors

The variance is due to the fluctuations in the interest rate as received by ABSA Bank on a monthly basis which is adjusted accordingly for the billing of interest every month. The higher interest income are also due to the higher outstanding debt on consumer accounts that expected and therefore are more interest levied for the year.

Service Charges

This income is dependable on consumption by consumers and it is possible that an 11 % variance can occur.

Bulk Purchases

More units were purchased that were sold to the consumers during the year then initially expected.

Capital expenditure

This relates to capital expenditure from own funding. Due to cash flow constraints and the financial position of the Municipality the capital budget from own funding could not realise.

2013
R

2012
R

34 BUDGET COMPARISONS (CONTINUE)

Debt Impairment

As the provision for bad debts is only calculated once a year a variance will reflect against the budget. With the compilation of the Annual Financial Statements the amount considered to be bad debt will be determined and included in the general ledger by means of a journal. Therefore it is not possible to accurately estimate the provision for bad debts initially. The provision for bad debts did increase due to the significant increase in the gross consumer debtor's accounts.

Depreciation and Impairment

As the depreciation on all assets is only calculated once a year a variance will reflect against the budget. With the compilation of the Annual Financial Statements the amount of depreciation will be determined from the updated fixed asset register and will then be included in the general ledger by means of a journal. The under-estimation of the depreciation are also contributed due to the fact the conditions of the assets are only known at year end and not during the compilation of the budget.

Employee Related Costs

Some critical positions was filled during the financial year which was not budgeted for and therefore the variance. Included in the significant variances are the following as well:

- 1) Increase of R1 032 805 in the provision for leave not taken by employees at 30 June 2013 not budgeted for as the number of unused leave days can not be determined during budget estimations;
- 2) Increase in the compensation commissioner provision of R412 219 that can not be determined during the budget estimations; and
- 3) Increase in the provision for bonuses of R356 710 that are not determined during the budget estimations.

Finance charges and actuarial losses

The following was accidentally omitted when budget for finance charges: Actuarial Interests, Finance Leases interest and other liabilities at amortised cost were not determined during the budget estimations.

General Expenses

Due to cash flow constrains and the financial position of the Municipality cost cutting measures were implemented to decrease the cost on general expenses for the financial year.

Repairs and Maintenance

Due to cash flow constrains and the financial position of the Municipality cost cutting measures were implemented to decrease the cost on general expenses for the financial year.

	2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
34.2 Expenditure by Vote				
Cemeteries	541,343	1,347,748	(806,405)	(60%)
Community & Social Services	3,987,078	3,262,821	724,257	22%
Corporate Services	10,583,190	10,757,534	(174,344)	(2%)
Council General	7,188,445	5,876,446	1,311,999	22%
Electricity	26,366,409	30,883,578	(4,517,169)	(15%)
Financial Services	42,310,576	18,543,395	23,767,181	128%
Housing	2,100,325	1,103,580	996,745	90%
Libraries	1,117,370	1,421,390	(304,020)	(21%)
Municipal Manager	7,808,178	11,617,360	(3,809,182)	(33%)
Office of the Mayor	2,627,166	3,130,007	(502,841)	(16%)
Office of the Speaker	2,335,371	2,685,555	(350,184)	(13%)
Parks and Recreation	10,225,179	2,783,196	7,441,983	267%
Properties	611,023	1,175,000	(563,977)	(48%)
Public Works	13,126,463	16,022,837	(2,896,374)	(18%)
Rates	-	4,143,566	(4,143,566)	(100%)
Refuse	5,356,538	6,520,045	(1,163,507)	(18%)
Remuneration of councillors	426,477	-	426,477	100%
Sewerage	9,098,150	11,848,974	(2,750,824)	(23%)
Town Hall & Offices	1,794,993	2,296,143	(501,150)	(22%)
Traffic	480,982	949,750	(468,768)	(49%)
Water	20,926,391	22,464,221	(1,537,830)	(7%)
	169,011,647	158,833,146	10,178,501	6%

Details of material variances: Implementation of GRAP: Allocation according to GRAP line items and new GRAP line items as depreciation, actuarial losses and debt impairment.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
34 BUDGET COMPARISONS (CONTINUE)		
34.3 Reconciliation between budget and actual expenditure		
The municipality does not consider significant non-cash flow expenditure during the preparation of their budget for the year. To ensure that readers do not misinterpret financial information are significant non-cash flow items highlighted and reconciled from the actual expenditure to the budgeted expenditure.		
TOTAL ACTUAL EXPENDITURE WITH NON-CASHFLOW ITEMS		169,011,647
Cemeteries		(3,035)
Increase in the provision for bonuses not included in budget		(3,035)
Community & Social Services		(254,464)
Actual depreciation recognised for the year		(254,464)
Corporate Services		(1,331,499)
Increase in the provision for leave not included in the budget		(1,032,805)
Actual depreciation recognised for the year		(298,694)
Electricity		(648,740)
Decrease in the provision for bonuses not included in budget		16,591
Actual depreciation recognised for the year		(665,331)
Financial Services		(27,266,681)
Increase in the provision for bonuses not included in budget		(79,830)
Increase in the provision for doubtful debts		(25,945,828)
Actual depreciation recognised for the year		(684,889)
Increase in the finance charges on long service awards liability not budgeted		(511,099)
Increase in actuarial loss not budgeted on Post Employment Benefits		(45,034)
Housing		(1,208,858)
Actual depreciation recognised for the year		(1,208,858)
Libraries		(4,823.21)
Actual depreciation recognised for the year		(4,823.21)
Municipal Manager		(160,999.28)
Increase in the provision for bonuses not included in budget		(85,727.74)
Actual depreciation recognised for the year		(75,271.53)
Office of the Speaker		(87,078.19)
Actual depreciation recognised for the year		(87,078.19)
Parks and Recreation		(7,645,874)
Increase in the provision for bonuses not included in budget		(13,520)
Actual depreciation recognised for the year		(7,632,354)
Properties		(530,225.46)
Actual depreciation recognised for the year		(180,163.42)
Finance charges on the increase of landfill sites liability		(350,062.04)
Public Works		(2,992,213)
Increase in the provision for bonuses not included in budget		(41,516)
Actual depreciation recognised for the year		(2,950,697)
Refuse		(31,153.37)
Increase in the provision for bonuses not included in budget		(31,153.37)
Remuneration of councillors		(40,639.03)
Increase in the provision for bonuses not included in budget		(40,639.03)
Sewerage		(3,343,034)
Increase in the provision for bonuses not included in budget		(24,813)
Actual depreciation recognised for the year		(3,318,222)
Town Hall & Offices		(38,162.93)
Increase in the provision for bonuses not included in budget		(5,196.98)
Actual depreciation recognised for the year		(32,965.96)
Traffic		8,331.82
Decrease in the provision for bonuses not included in budget		12,881.44
Actual depreciation recognised for the year		(4,549.62)
Water		(7,131,838)
Increase in the provision for bonuses not included in budget		(11,045)
Actual depreciation recognised for the year		(7,120,793)
TOTAL ACTUAL EXPENDITURE EXCLUDING NON-CASHFLOW ITEMS		116,300,660
TOTAL BUDGET EXPENDITURE		158,833,146
VARIANCE		(42,532,486)

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R								
35	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED										
35.1	<u>Unauthorised expenditure</u>										
	Reconciliation of unauthorised expenditure:										
	Opening balance	519,743,649	33,933,199								
	Unauthorised expenditure current year - operating	34,668,641	519,743,649								
	Unauthorised expenditure awaiting authorisation	554,412,290	519,743,649								
	Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for										
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Over expenditure on votes</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Over expenditure on votes	None	34,668,641	519,743,649				
Incident	Disciplinary steps/criminal proceedings										
Over expenditure on votes	None										
		34,668,641	519,743,649								
35.2	<u>Fruitless and wasteful expenditure</u>										
	Reconciliation of fruitless and wasteful expenditure:										
	Opening balance	1,202,546	353,464								
	Fruitless and wasteful expenditure current year	525,966	849,082								
	Written off by council	-	-								
	Fruitless and wasteful expenditure awaiting further action	1,728,512	1,202,546								
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Interest payments on the late payments of suppliers</td><td>None</td></tr><tr><td>Interest payments on the late payments of suppliers of water</td><td>None</td></tr><tr><td>Interest payments on the late payments of suppliers of electricity</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Interest payments on the late payments of suppliers	None	Interest payments on the late payments of suppliers of water	None	Interest payments on the late payments of suppliers of electricity	None	15,551 465,833 44,582	688,127 160,956 -
Incident	Disciplinary steps/criminal proceedings										
Interest payments on the late payments of suppliers	None										
Interest payments on the late payments of suppliers of water	None										
Interest payments on the late payments of suppliers of electricity	None										
		525,966	849,082								
35.3	<u>Irregular expenditure</u>										
	Reconciliation of irregular expenditure:										
	Opening balance	133,071,845	78,302,745								
	Irregular expenditure excluding VAT current year	30,974,822	54,769,100								
	Written off by council	-	-								
	Transfer to receivables for recovery	-	-								
	Irregular expenditure awaiting further action	164,046,667	133,071,845								
	Irregular expenditure awaiting condonement by National Treasury	164,046,667	133,071,845								
	The irregular expenditure is due to supply chain management processes not being followed										
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.</td><td>None</td></tr><tr><td>Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.</td><td>None</td></tr><tr><td>Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.	None	Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	None	Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	None	529,153 1,763,241 28,682,428	1,019,406 2,214,709 51,534,985
Incident	Disciplinary steps/criminal proceedings										
Procurement regulations not followed for purchases between R2 000 and R10 000 and no deviation documented.	None										
Procurement regulations not followed for purchases between R10 001 and R30 000 and no deviation documented.	None										
Procurement regulations not followed for purchases between R30 001 and R200 000 and no deviation documented.	None										
		30,974,822	54,769,100								
	The full extent of the irregularities of R164 046 667 (2012: R133 071 845), is still in the process of being investigated as disclosed in note 35.3										

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
35.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	3,996,400	3,871,200
- Kilo litres lost during distribution	1,544,183	1,545,503
- Percentage lost during distribution	38.64%	39.92%
Electricity distribution losses		
- Units purchased (Kwh)	20,832,958	20,832,958
- Units lost during distribution (Kwh)	(1,104,311)	1,104,311
- Percentage lost during distribution	-5.30%	5.30%
36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
36.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	264,079
Council subscriptions	421,000	605,404
Amount paid - current year	(421,000)	(645,838)
Amount paid - previous years	-	(223,645)
Balance unpaid (included in trade creditors)	-	-
36.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	7,362	2,117,707
Current year audit fee	3,455,492	2,132,312
Amount paid - current year	(2,274,700)	(2,124,950)
Amount paid - previous year	(7,451)	(2,117,707)
Balance unpaid (included in trade creditors)	1,180,703	7,362
36.3 VAT - [MFMA 125 (1)(b)]		
VAT	8,589,840	14,376,504
Closing balance - VAT Payable / (Receivable)	8,589,840	14,376,504
<p>The value added tax recoverable from, or payable to, the taxation authority presented in this note and the Statement of Financial Position is on the accrual basis while the municipality is registered on cash basis according to section 15 of the Value-added Tax Act, 1991 (Act 89 of 1991).</p> <p>The total amount of VAT receivable at 30 June 2012 is R479 042 (30 June 2011: R470 236) on the cash basis. The balance on the accrual basis at 30 June 2012 is R14 855 938 (30 June 2011: R11 644 726) and this is the net amount payable after all cash receipts of consumers and cash payments to suppliers.</p>		
36.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	515,673	75,703
Current year payroll deductions and Council Contributions	6,019,271	5,144,665
Amount paid - current year	(5,520,305)	(4,704,694)
Amount paid - previous year	(419,291)	-
Balance unpaid	595,349	515,673
36.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	2,478,069	1,813,386
Current year payroll deductions and Council Contributions	12,262,085	7,160,033
Amount paid - current year	(11,454,672)	(6,495,350)
Amount paid - previous year	(1,397,744)	-
Balance unpaid	1,887,738	2,478,069

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013

R

2012

R

36.6

Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2013:

2013

R

2012

R

Outstanding more than 90 days

Councillor K P Dichakane

3,390

15,960

Councillor S L Kgoe

392

1,981

Councillor V M Lekale

101

3,775

Councillor S J Mabitla

6,893

6,298

Councillor M G Mafa

8,296

11,474

Councillor S C Mangoejane

9,106

18,992

Councillor D E Modise

560

2,776

Councillor L M Moloele

3,824

16,558

Councillor T P Ramongalo

-

1,527

Councillor K A Sekharume

2,547

16,021

Councillor M B Tsoaela

-

1,546

Councillor P T Botha

1,149

1,696

Councillor M M Kholumo

4,820

-

Councillor J A Pienaar

804

-

Councillor Z P Thuthani

19,400

-

Total Councillor Arrear Consumer Accounts

61,282

98,606

36.7 **Other non-compliance (MFMA 125(2)(e))**

- Section 75 of the MFMA. Information to be placed on websites of municipalities. The website of Masilonyana Municipality was not functional for the 2010/11 financial year.
- Section 65 of the MFMA. Expenditure management. All money owing by the municipality must be paid within 30 days of receiving the relevant invoices or statement. Masilonyana Municipality did not comply with above section due to serious cash flow problems.
- Section 127(5)(b) of the MFMA. Submission and tabling of annual reports. The annual report was not submitted to the auditor-general before the annual report was tabled.
- Municipal Systems Act – No job descriptions for municipal employees as required by section 66 of the MSA.
- Section 8(5) of the MFMA. The accounting officer of a municipality must submit to the National Treasury, the relevant provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If a municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the National Treasury and the Auditor-General, in writing, at least 30 days before effecting the change.
- Section 126 of the MFMA. Submission and auditing of annual financial statement.

37

COMMITMENTS

Commitments in respect of expenditure:

Total approved commitments:

71,026,260	140,613,536
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This committed expenditure relates to infrastructure development and will be financed by available bank facilities, existing cash resources and government grants and subsidies.

For the disclosure of the commitments per finance lease obligations, refer to note 2 to the financial statements.

38

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
38 FINANCIAL RISK MANAGEMENT (CONTINUE)		
(b) Price risk		
The municipality is not exposed to price risk.		
(c) Interest Rate Risk		
As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.		
The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.		
The municipality did not hedge against any interest rate risks during the current year.		
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
1% (2011 - 0.5%) Increase in interest rates	(204,080)	(110,874)
1% (2011 - 0.5%) Decrease in interest rates	204,080	110,874
(d) Credit Risk		
Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.		
Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.		
Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.		
The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.		
The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.		
Receivables are individually evaluated annually at Balance Sheet date for impairment.		
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	42,043,568	19,405,053
Receivables from non-exchange transactions	34,567,560	6,187,177
Cash and Cash Equivalents	2,764,671	1,287,269
	<u>80,093,627</u>	<u>26,879,498</u>

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013

R

2012

R

38

FINANCIAL RISK MANAGEMENT (CONTINUE)

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	2,230,334	3,037,735	1,470,536	-
Trade and Other Payables	35,550,328	-	-	-
	38,628,780	3,037,735	1,470,536	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	2,358,735	4,601,945	2,200,234	-
Trade and Other Payables	45,864,726	-	-	-
	48,223,461	4,601,945	2,200,234	-

39

FINANCIAL INSTRUMENTS

Financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

39.1

Financial Assets

Classification

Receivables

Receivables from exchange transactions

Receivables from non-exchange transactions

Financial instruments at amortised cost

Financial instruments at amortised cost

42,043,568

34,567,560

19,405,053

6,187,177

Bank Balances and Cash

Cash Floats and Advances

Primary Bank Account

Other cash and cash equivalents

Call Deposits Accounts

Financial instruments at amortised cost

Financial instruments at amortised cost

Financial instruments at amortised cost

Financial instruments at amortised cost

8,117

-

24,699

2,731,854

-

417,941

73,936

795,392

76,619,244

26,010,171

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost

At amortised cost

76,619,244

76,619,244

26,010,171

26,010,171

39.2

Financial Liability

Classification

Long-term Liabilities

Other financial liabilities

Capitalised Lease Liability

Financial instruments at amortised cost

Financial instruments at amortised cost

3,269,161

1,353,980

3,687,866

1,445,024

Payables from exchange transactions

Trade Payables

Sundry Creditors

Financial instruments at cost

Financial instruments at cost

13,851,923

21,698,405

19,667,177

26,197,549

Current Portion of Long-term Liabilities

Other financial liabilities

Capitalised Lease Liability

Financial instruments at amortised cost

Financial instruments at amortised cost

360,803

18,858

276,331

1,289,723

Bank Balances and Cash

Cash Float

Financial instruments at amortised cost

848,118

-

41,401,248

52,563,669

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
40	EVENTS AFTER THE REPORTING DATE		
	The municipality performed an subsequent events assessment and no significant matters were identified.		
41	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality did not receive any in-kind donations or assistance during the year under review.		
42	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
43	CONTINGENT LIABILITY		
	Bon Accor Safaris (Pty) Ltd; Dal Tempe Boerdery; Barens Jacobus Wessels & Willem Johannes Pienaar	1,291,019	1,291,019
	A fire originated on the property of the municipal entity and spread to the plaintiffs above property resulting in damages. The municipal entity is being sued for negligence as a result of the damages. The maximum potential liability is estimated at R1 291 019 (2012: R1 291 019). Partly Heard in High Court, proceeding February 2014.		
	State Attorneys	41,180	41,180
	The Municipal entity failed to display a road signage that resulted in the collision between vehicles and the consequent damages to the State vehicle. The maximum potential liability is estimated at R41 180 (2012: R41 180). No summons received.		
	Naledi constructions	455,015	455,015
	The municipal entity entered into a services agreement with the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability is estimated at R455 015 (2012: R455 015). The Municipality filed a counterclaim of R1 200 000 to Naledi Construction for services delivered to them.		
	IQ Business Group	228,177	228,177
	The municipal entity procured services from the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability is estimated at R228 177 (2012: R288 176). Matter were defended in the current financial year		
	Masilonyana municipality // R du Toit	9,771	9,771
	Claiming damages to vehicle after driving on municipal road. Await judgment from court		
	M M Moseme	10,164	10,164
	Claiming damages to vehicle after driving on municipal road in Brandfort. No summons received		
	L.Q Technologies	-	330,810
	The municipal entity procured services from the above supplier and has defaulted on payments to the supplier for the service delivered. The maximum potential liability is estimated at R330 810. No summons received to date.		
	Landfill sites	10,000,000	10,000,000
	The Municipality has five active landfill sites in Theunissen, Brandfort, Windburg, Soutpan and Verkeerdevelei. It has been identified that not all landfill sites are licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).		
	In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.		
	The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.		
	Employees leave days in excess of 48 days	75,719	482,645
	Section 3.1.5 of SALBC Main Collective Agreement states: Any leave in excess of forty-eight (48) days may be encashed should the employee be unable to take such leave as a result of operational requirements. A contingent liability is raised of R75 719 (2012: R482 645) for employees' leave days in excess of forty-eight (48) days not taken.		
	Afri Forum	-	-
	Upkeep of Anglo Boerwar concentration camp cemetery at Winburg. Awaiting trial date and the amount are undetermined at 30 June 2013.		
	BJ Moshweledi	3,000,000.00	-
	Claim by family of children who drowned in sewerage plant - Soutpan. No summons has been received. The liability are estimated at R3 000 000.		

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
43	CONTINGENT LIABILITY (CONTINUE)		
	Various farmers	1,700,000.00	-
	Veld fire at Verkeerdevlei landfill site, damage to 11 farms. No summons received to date and the liability is estimated at R1 700 000		
		16,811,045	12,848,781

The following matters exist but the maximum potential liabilities are not determinable:

GLEN LOSER: Await appointment of Executor in the estate of Glen Loser

44	CONTINGENT ASSETS		
	Break in at workshop - Theunissen	7,076	-
	A break in and theft was reported at the Theunissen workshop during July 2012. 70m of cable was stolen. An agreement of loss was signed with the insurers Cre8 Alexander Forbes.		
	Robbery of cashier - Theunissen		
	A cashier of the municipality was robbed on his way to the bank in August 2012 with the July cashup. A claim was submitted and payment is expected during July 2013.	16,760	-
	Stolen electrical equipment - Winburg	44,693	-
	A break in and theft was reported on 31 October 2012 at the substation in Le Roux Street. A length of cable and a transformer was stolen. A claim was submitted and payment is expected during July 2013.		
		68,529	-

45	RELATED PARTIES		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		

45.01 Related Party Transactions and Balances

	Rates - Levied 1 Jul 11 - 30 Jun 13	Service Charges - Levied 1 Jul 11 - 30 Jun 13	Other - Levied 1 Jul 11 - 30 Jun 13	Outstanding Balances 30 June 2013
Year ended 30 JUNE 2013				
Councillors	2,309	30,401	14,018	70,529
Councillor K S Koalane	-	-	-	(7)
Councillor S J Mabitta	-	11,464	267	12,136
Councillor S C Mangoejane	623	3,908	5,299	9,830
Councillor D E Modise	-	1,220	6	1,227
Councillor F B Posthumus	-	-	-	(120)
Councillor K A Sekharume	380	2,426	509	3,314
Councillor K P Dichakane	-	3,101	953	4,054
Councillor L M Moloele	-	3,446	1,042	4,487
Councillor V M Lekale	-	-	101	101
Councillor M B Tsoela	-	-	-	(102)
Councillor M G Mafa	1,112	3,861	4,246	9,218
Councillor P T Botha	-	-	1,592	1,149
Councillor S L Kgoe	195	977	2	1,174
Councillor T P Ramongalo	-	-	-	-2,597
Councillor M M Kholumo	-	5,224	260	5,483
Councillor J A Pienaar	1,084	-	34	1,119
Councillor Z P Thuthani	-	6,133	13,930	20,063
Municipal Manager and Section 57 Employees	-	16,741	1,250	17,991
Previous Municipal Manager - Mr Mpakane	-	16,741	641	17,382
Chief Financial Officer - Mr L I Tlatsi	-	-	-	-
Acting Municipal Manager - Me M E Maphobole	-	-	609	609

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

MASILONYANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
45	RELATED PARTIES (CONTINUE)		
45.02	Related Party Loans		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted according to Section 164 (c) - Forbidden activities of the MFMA.		
45.03	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.		

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value	Cost					Accumulated Depreciation & Impairment					Carrying Value	
	Opening Balance	Additions	Corrections	Work-In-Progress	Disposals	Closing Balance	Opening Balance	Additions	Corrections	Disposals	Closing Balance	
	R	R		R	R	R	R	R		R	R	R
Land and Buildings	53,771,500	714	-	-	-	53,772,214	-	1,052,147	-	-	1,052,147	52,720,067
Land and Buildings	53,771,500	714	-	-	-	53,772,214	-	1,052,147	-	-	1,052,147	52,720,067
Infrastructure	877,520,470	-	-	-	-	877,520,470	490,772,708	18,728,695	-	-	509,501,403	368,019,068
Stormwater and Roads	307,252,554	-	-	-	-	307,252,554	194,286,478	7,630,401	-	-	201,916,879	105,335,675
Sewerage	169,957,118	-	-	-	-	169,957,118	71,655,493	3,315,433	-	-	74,970,926	94,986,192
Electricity	28,422,250	-	-	-	-	28,422,250	3,846	665,331	-	-	669,177	27,753,073
Water	371,858,600	-	-	-	-	371,858,600	224,826,415	7,115,533	-	-	231,941,948	139,916,652
Solid Waste disposal (Refuse)	29,948	-	-	-	-	29,948	476	1,997	-	-	2,473	27,475
Lease Assets	4,681,835	2,802,194	-		-2,646,536	4,837,493	3,021,430	1,223,015	-	-2,825,993	1,418,452	3,419,041
Office Equipment & Vehicles	4,681,835	2,802,194	-	-	-2,646,536	4,837,493	3,021,430	1,223,015		-2,825,993	1,418,452	3,419,041
Other Assets	17,518,894	392,683	-	-	-	17,911,577	2,610,992	3,533,403	-	-	6,144,395	11,767,182
Office Equipment	251,995	19,913	-	-	-	271,908	59,870	46,822	-	-	106,692	165,216
Furniture & Fittings	3,294,632	43,736	-	-	-	3,338,368	1,233,099	472,136	-	-	1,705,235	1,633,133
Plant and Equipment	5,882,948	306,247	-	-	-	6,189,195	648,964	1,417,291	-	-	2,066,255	4,122,939
Motor vehicles	7,234,119	-	-	-	-	7,234,119	326,389	1,330,151	-	-	1,656,540	5,577,579
Emergency equipment	147,447	-	-	-	-	147,447	33,130	25,050	-	-	58,180	89,267
Computer equipment	707,753	22,787	-	-	-	730,540	309,540	241,953	-	-	551,493	179,047
Work in Progress	48,184,369	-	-	15,672,993	-	63,857,362	-	-	-	-	-	63,857,362
	48,184,369	-	-	15,672,993	-	63,857,362	-	-	-	-	-	63,857,362
	1,001,677,068	3,195,591	-	15,672,993	-2,646,536	1,017,899,117	496,405,130	24,537,259	-	-2,825,993	518,116,396	499,782,720

MASILONYANA MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2012

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Depreciation & Impairment					Carrying Value	
	Opening Balance	Additions	Corrections	Work-in-Progress	Disposals	Closing Balance	Opening Balance	Additions	Corrections	Disposals	Closing Balance	
	R	R		R	R	R	R	R		R	R	R
Land and Buildings	53,771,500	-	-	-	-	53,771,500	-	-	-	-	-	53,771,500
Land and Buildings	53,771,500	-	-	-	-	53,771,500	-	-	-	-	-	53,771,500
Infrastructure	794,563,065	19,213,959	63,743,446	-	-	877,520,470	-	460,725,409	30,047,299	-	490,772,708	386,747,762
Stormwater and Roads	300,344,782	5,508,452	1,399,320	-	-	307,252,554	-	194,286,478	-	-	194,286,478	112,966,076
Sewerage	206,384,366	-	-36,427,248	-	-	169,957,118	-	88,045,337	-16,389,844	-	71,655,493	98,301,625
Electricity	8,050,158	-	20,372,092	-	-	28,422,250	-	3,846	-	-	3,846	28,418,404
Water	279,753,811	13,705,507	78,399,282	-	-	371,858,600	-	178,389,272	46,437,143	-	224,826,415	147,032,185
Solid Waste disposal (Refuse)	29,948	-	-	-	-	29,948	-	476	-	-	476	29,472
Lease Assets	4,681,835	-	-	-	-	4,681,835	1,732,192	1,289,238	-	-	3,021,430	1,660,405
Office Equipment & Vehicles	4,681,835	-	-	-	-	4,681,835	1,732,192	1,289,238	-	-	3,021,430	1,660,405
Other Assets	4,729,622	12,679,694	109,578	-	-	17,518,894	1,645,872	965,211	-91	-	2,610,992	14,907,902
Office Equipment	138,521	114,224	-750	-	-	251,995	34,117	25,765	-12	-	59,870	192,125
Furniture & Fittings	2,895,305	401,426	-2,099	-	-	3,294,632	817,263	415,856	-20	-	1,233,099	2,061,533
Plant and Equipment	713,902	5,106,467	62,579	-	-	5,882,948	345,324	303,698	-58	-	648,964	5,233,984
Motor vehicles	440,000	6,744,219	49,900	-	-	7,234,119	166,428	159,961	-	-	326,389	6,907,730
Emergency equipment	80,900	66,547	-	-	-	147,447	17,449	15,681	-	-	33,130	114,317
Computer equipment	460,994	246,811	-52	-	-	707,753	265,291	44,250	-1	-	309,540	398,213
Work in Progress	33,601,060	-	-	14,583,309	-	48,184,369	-	-	-	-	-	48,184,369
	33,601,060	-	-	14,583,309	-	48,184,369	-	-	-	-	-	48,184,369
	891,347,082	31,893,653	63,853,024	14,583,309	-	1,001,677,068	3,378,064	462,979,858	30,047,208	-	496,405,130	505,271,938

APPENDIX A - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2012	Correction	Balance at 30 JUNE 2012 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2013
LONG-TERM LIABILITIES									
Infrastructure Corporate Finance Limited	16%	BDT114US908	30-Sep-14	80,650	-	80,650	-	21,231	59,419
Infrastructure Corporate Finance Limited	16%	THN114US879	30-Sep-14	80,650	-	80,650	-	13,747	66,903
Development Bank of South Africa	12.5% -14.5%	61001050	31-Mar-20	3,802,896	-	3,802,896	-	299,255	3,503,641
LONG-TERM LIABILITIES				3,964,196	-	3,964,196	-	334,233	3,629,963
LEASE LIABILITY									
Copperleaf - Rental of Photocopiers	14.08%	Various	30-Jul-14	1,370,145	-	1,370,145	-	671,695	698,450
Multitech Corporation -Rental of telephone system	9.29%		30-May-14	1,364,600	-	1,364,600	-	690,212	674,388
Total Lease Liabilities				1,370,145	-	2,734,746	-	671,695	1,372,839
TOTAL EXTERNAL LOANS				5,334,341	-	6,698,942	-	1,005,928	5,002,802

APPENDIX B - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
MUNICIPAL VOTES CLASSIFICATION

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
129,175	(455,441)	(326,266)	Cemeteries	118,821	(541,343)	(422,521)
5,036	(2,834,139)	(2,829,103)	Community & Social Services	(7,287)	(3,987,078)	(3,994,365)
89,472	(1,146,702)	(1,057,230)	Housing	69,387	(2,100,325)	(2,030,938)
-	(1,165,630)	(1,165,630)	Libraries	-	(1,117,370)	(1,117,370)
57,249	(376,888)	(319,639)	Traffic	49,126	(480,982)	(431,857)
30,032,359	(26,429,521)	3,602,838	Electricity	34,745,531	(26,366,409)	8,379,122
-	(10,958,598)	(10,958,598)	Corporate Services	-	(10,583,190)	(10,583,190)
36,089,908	(6,688,420)	29,401,489	Council General	41,113,057	(7,188,445)	33,924,613
-	(5,451,752)	(5,451,752)	Municipal Manager	-	(7,808,178)	(7,808,178)
-	(2,663,535)	(2,663,535)	Office of the Mayor	-	(2,627,166)	(2,627,166)
-	(1,851,738)	(1,851,738)	Office of the Speaker	-	(2,335,371)	(2,335,371)
3,314,931	(531,672,270)	(528,357,339)	Financial Services	30,697,243	(42,310,576)	(11,613,334)
259,886	(474,029)	(214,143)	Properties	73,721	(611,023)	(537,302)
12,941,193	(550,600)	12,390,593	Rates	15,075,772	-	15,075,772
62,954	(1,717,739)	(1,654,785)	Town Hall & Offices	25,167	(1,794,993)	(1,769,826)
30,350,860	(12,251,120)	18,099,740	Public Works	31,199,699	(13,126,463)	18,073,237
-	(2,305,817)	(2,305,817)	Parks and Recreation	-	(10,225,179)	(10,225,179)
12,844,655	(6,726,436)	6,118,219	Refuse	17,087,367	(5,356,538)	11,730,829
24,638,036	(5,011,876)	19,626,161	Sewerage	25,626,626	(9,098,150)	16,528,476
22,268,787	(9,148,893)	13,119,894	Water	32,254,751	(20,926,391)	11,328,360
173,084,503	(629,881,142)	(456,796,639)	Sub Total	228,128,980	(169,011,647)	59,117,333
-	-	-	Less Inter-Departmental Charges	-	-	-
173,084,503	(629,881,142)	(456,796,639)	Total	228,128,980	(169,011,647)	59,117,333

APPENDIX C - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R		2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R
280,932	(5,978,800)	(5,697,868)	Community & social	230,046	(8,227,098)	(7,997,052)
30,032,359	(26,429,521)	3,602,838	Electricity	34,745,531	(26,366,409)	8,379,122
36,089,908	(27,614,042)	8,475,867	Executive & Council	41,113,057	(30,968,827)	10,144,231
16,578,964	(534,414,638)	(517,835,674)	Finance & Administration	45,871,903	(44,716,593)	1,155,310
30,350,860	(12,251,120)	18,099,740	Roads transport	31,199,699	(13,126,463)	18,073,237
-	(2,305,817)	(2,305,817)	Sports & Recreation	-	(10,225,179)	(10,225,179)
-	-	-	Planning and Development	-	-	-
24,638,036	(5,011,876)	19,626,161	Waste Water Management	25,626,626	(9,098,150)	16,528,476
12,844,655	(6,726,436)	6,118,219	Waste Management	17,087,367	(5,356,538)	11,730,829
22,268,787	(9,148,893)	13,119,894	Water	32,254,751	(20,926,391)	11,328,360
173,084,503	(629,881,142)	(456,796,639)	Sub Total	228,128,980	(169,011,647)	59,117,333
-	-	-	Less Inter-Departmental Charges	-	-	-
173,084,503	(629,881,142)	(456,796,639)	Total	228,128,980	(169,011,647)	59,117,333

APPENDIX D - UNAUDITED
MASILONYANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2012	Correction of error	Restated Balance 1 JULY 2012	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2013	Unspent 30 JUNE 2013 (Creditor)	Unpaid 30 JUNE 2013 (Debtor)
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>									
Equitable Share	-	-	-	81,091,000	81,091,000	-	-	-	-
Municipal Infrastructure Grant	-	-	-	36,782,000	28,893,318	-	7,888,682	7,888,682	-
Municipal Systems Improvement Grant	-	-	-	800,000	800,000	-	-	-	-
Local Government Financial Management Grant (FMG)	-	-	-	1,500,000	1,500,000	-	-	-	-
Regional Bulk Infrastructure Grant	-	-	-	6,749,075	7,466,904	-	(717,828)	-	(717,828)
Expanded Public Works Programme Integrated Grant for Municipalities	-	-	-	1,169,000	1,169,000	-	-	-	-
Total National Government Grants	-	-	-	128,091,075	120,920,221	-	7,170,854	7,888,682	(717,828)
<u>Provincial Government Grants</u>									
Local Government Sector Education Training Authority	-	-	-	265,070	265,070	-	-	-	-
Total Provincial Government Grants	-	-	-	265,070	265,070	-	-	-	-
Total	-	-	-	128,356,145	121,185,291	-	7,170,854	7,888,682	(717,828)